

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

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SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1431

INFO AMCONSUL DHAHRAN

USLO RIYADH

C O N F I D E N T I A L JIDDA 2066

E.O. 11652: GDS

TAGS: EFIN, SA

SUBJECT: SAUDI FOREIGN ASSETS AND BALANCE OF PAYMENTS

REF: JIDDA 0976

1. THE FOREIGN ASSETS OF THE SAUDI GOVERNMENT, AS REFLECTED BY THE OFFICIAL ASSETS OF SAMA, INCREASED BY APPROXIMATELY \$10 BILLION IN 1977. SAMA OFFICIAL STATISTICS RECENTLY RELEASED (AFTER A DELAY OF MANY MONTHS) SHOW THAT OFFICIAL ASSETS REACHED SLIGHTLY OVER \$60 BILLION BY 3 NOVEMBER 1977, WHICH WE ESTIAMTE TO MEAN A YEAR-END FIGURE OF APPROXIMATELY \$62.5 BILLION.

2. WHILE THIS INCREASE IN SAG FOREIGN ASSETS IS SCARCELY INCONSIDERABLE, IT IS NOT AS LARGE AS USG ESTIMATES OF A SAUDI CURRENT ACCOUNT SURPLUS FOR 1977 OF OVER \$21 BILLION WOULD INDICATE. WE CANNOT FROM THE LIMITED FIGURES AVAILABLE TO US HERE, IDENTIFY OFFSETTING MOVEMENTS IN THE CAPITAL ACCOUNT WHICH WOULD ACCOUNT FOR THE APPARENT GAP BETWEEN USG ESTIMATES OF THE CURRENT ACCOUNT SURPLUS AND THE REPORTED ADDITIONS TO SAMA'S ASSETS.

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3. SAMA OFFICIALS RESPONSIBLE FOR BALANCE OF PAYMENTS ACCOUNTS HAVE CONSISTENTLY QUESTIONED USG AND OTHER WESTERN ESTIMATES OF SUADI CURRENT ACCOUNTS SURPLUSES. ACCORDING TO THEM, THE SAG CURRENT ACCOUNT SURPLUS IN 1977 IS INDICATED TO HAVE BEEN ONLY \$13 BILLION, AND MAY BE AS LOW AS \$2-3 BILLION IN 1978 "DEPENDING

ON EVENTS AND CONFLICTS IN THE AREA" SAMA BELIEVES WE CONSISTENTLY OVERESTIMATE SAG REVENUES, AND UNDER-ESTIMATE SAUDI SERVICE PAYMENTS, PRIVATE TRANSFERS, GOVERNMENT EXPENDITURES ABROAD, AND OTHER OUTFLOWS. AS SAMA OFFICIALS DO NOT SHARE THEIR CURRENT FIGURES WITH US, HOWEVER, WE ARE UNABLE TO MAKE COMPARISONS WITH USG ESTIMATES, SAME OFFICIALS HAVETOLD US THAT THEY DID CONVINCE A RECENT IMF MISSION HERE OF THE CORRECTNESS OF THEIR FIGURES.

4. SAMA'S ESTIMATE OF A \$13 BILLION CURRENT ACCOUNT SURPLUS IN 1977 BETTER CORRELATES WITH THE \$10 BILLION INCREASE IN SAMA'S FOREIGN ASSETS, PLUS THE FIGURES WE ESTIMATE FOR INCREASED FOREIGN ASSETS OF THE SAUDI BANKS (\$600 MILLION), AND INCREASED SAUDI PRIVATE INVESTMENT ABROAD (\$1 BILLION). INPORTANT IN UNDERSTANDING SAMA'S LOW FIGURE FOR ITS CURRENT ACCOUNT SURPLUS IS THE FACT THAT SAMA, FOR LACK OF ADEQUATE INTERNAL ACCOUNTING PROCEDURES, COUNTS ALL GOVERNMENT AID PAYMENTS ABROAD IN ITS CURRENT ACCOUNT FIGURES. WE DOUBT, HOWEVER, IF GOVERNMENT DAI TRANS-FERS COULD ACCOUNT FOR THE ENTIRE \$8 BILLION DISCREPANCY BETWEEN USG CURRENT ACCOUNT FIGURES AND SAMS'S. WE WOULD WELCOME WASHINGTON'S COMMENTS.

WILEY

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